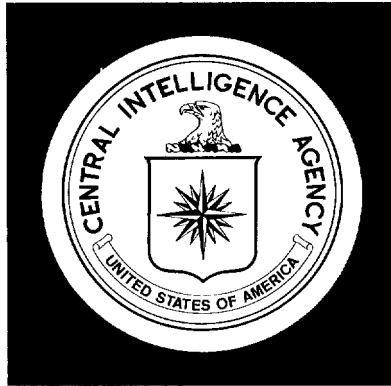


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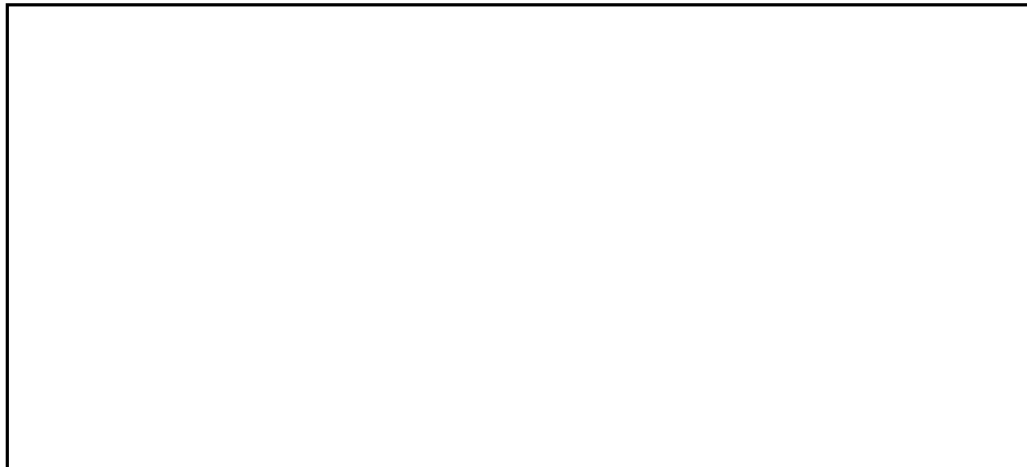


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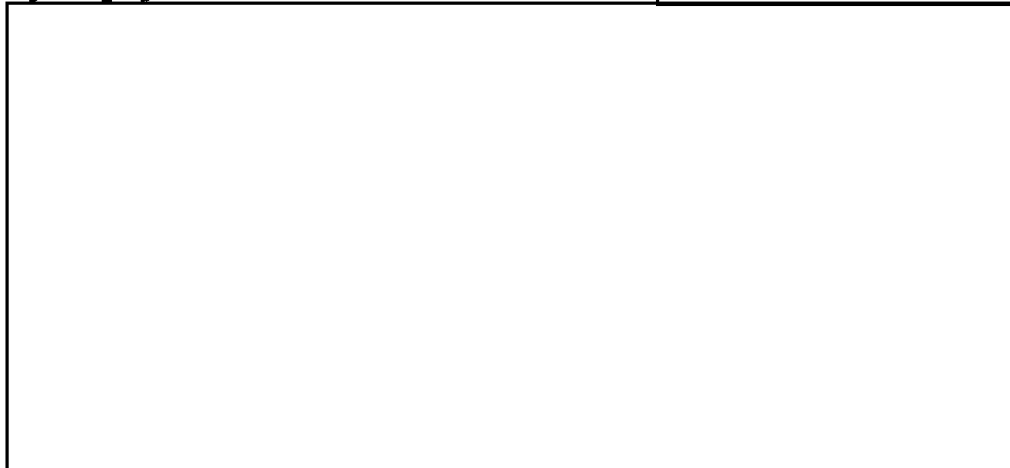
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EUROPEAN COMMUNITIES: Commission ponders contingency plan for monetary crisis.

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EUROPEAN COMMUNITIES: IN RESPONSE TO CONTINUING CONCERN ABOUT THE DOLLAR'S SUBSTANTIAL DE FACTO DEVALUATION, THE EC COMMISSION IS CONSIDERING VARIOUS CONTINGENCY PLANS FOR EC MEMBERS' APPROVAL SHOULD THE MONETARY SITUATION DETERIORATE STILL FURTHER. CONTINUING SHARP DIVISIONS AMONG THE MEMBER COUNTRIES, HOWEVER, MAKE ACCEPTANCE OF ANY OF THE COMMISSION'S MORE FAR-REACHING PROPOSALS UNLIKELY.

AMONG THE PLANS BEING EXAMINED BY THE COMMISSION ARE STRONGER CAPITAL CONTROLS WITHIN THE EC, AND MEANS BY WHICH THE US AND EC COULD COOPERATE TO REDUCE SURPLUS DOLLARS HELD OUTSIDE THE US THROUGH THE ISSUANCE OF LONG-TERM DEBT INSTRUMENTS. SHOULD THE EUROPEAN JOINT FLOAT COLLAPSE, THE COMMISSION'S CONTINGENCY PLANNING ENVISIONS GOING MUCH FURTHER, CALLING AN EC SUMMIT MEETING AND SUGGESTING A MAJOR "LEAP FORWARD" TOWARD ECONOMIC AND MONETARY UNION. THIS WOULD INVOLVE A SHORTENED TIMETABLE FOR SETTING UP A COMMUNITY SHORT-TERM MONETARY SUPPORT FUND, POOLING MEMBER STATES' CURRENCY RESERVES, AND ESTABLISHING A PROGRAM TO SUBSIDIZE THE DEVELOPMENT OF BACKWARD REGIONS IN THE INDIVIDUAL MEMBER STATES.

THE COMMISSION IS APPARENTLY UNDER STRONG PRESSURE TO SHOW SOME COMMUNITY-LEVEL RESPONSE TO RECENT EVENTS, BUT IT IS POWERLESS TO ACT AS LONG AS THE MEMBER COUNTRIES REMAIN DIVIDED ON THE BASIC ISSUES. ALTHOUGH SOME ADDITIONAL TIGHTENING OF CAPITAL CONTROLS IS POSSIBLE, THE COMMUNITY HAS NOT FOUND A SET OF WORKABLE MEASURES UPON WHICH MEMBERS COULD AGREE. MOREOVER, ADDITIONAL CONTROLS WOULD RUN COUNTER TO ONE OF THE MAIN PURPOSES OF MONETARY UNION--THE FREE FLOW OF CAPITAL WITHIN THE EC.

THE COMMUNITY'S INABILITY TO FORMULATE A CONCERTED ANTI-INFLATION PROGRAM, DEMONSTRATED AGAIN AT THE RECENT FINANCE MINISTERS' MEETING, REFLECTS THE DIFFICULTY THE COMMUNITY WOULD ENCOUNTER IN ANY MOVE TO ACCELERATE ECONOMIC AND MONETARY UNION--ESPECIALLY IN VIEW OF GERMAN DEMANDS FOR ECONOMIC POLICY HARMONIZATION BEFORE ADVANCING TOWARD MONETARY UNION. THUS, THE COMMISSION'S CONTINGENCY PLANS ARE

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PRIMARILY MOTIVATED BY A DESIRE TO SHOW SOME ACTIVITY
TO REMIND THE MEMBER STATES OF THE LONG-RANGE GOALS
THEY SET FOR THEMSELVES AT THEIR SUMMIT MEETING LAST
OCTOBER, AND TO RESPOND TO FRENCH CRITICISM OF THE
DOLLAR'S DE FACTO DEVALUATION.

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